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SUBJECT: PRT SALAH AD-DIN: EXPATS FROM THE PROVINCE KEEN TO INVEST

REF: BAGHDAD 3003

Classified By: PRT Team Leader Richard Bell. Reasons 1.4 (b,d).

11. (U) This is a PRT Salah ad-Din reporting cable.

SUMMARY

12. (S) PRT Econ Section chief met with Hassan Ahmad Mahjoob al-Qaisy (strictly protect throughout), October 13 to discuss the investment climate in Salah ad-Din province. Mahjoob, the owner of a fuel transportation company and brother of the Bayji mayor, said improved security conditions are making it easier for expatriate Iraqis to invest in SaD. Mahjoob said he is working to broker a joint venture agreement with the Ministry of Industry and Minerals to revitalize the state-owned Bayji Fertilizer Plant. Mahjoob,s business interest in this key industrial facility is an encouraging sign of economic progress, but also underscores the possibility that individuals who have profited from the general lawlessness in SaD are now positioned to reap even greater financial benefits as market reforms move forward. End Summary.

IRAQI EXPATS READY TO INVEST IN PROVINCE

13. (C) In an October 13 meeting, Hassan Ahmad Mahjoob al-Qaisy told SaD PRT ECON Chief that the improvements in security were encouraging many expatriate Iraqis to begin investing again in Salah ad-Din (SaD) province. Mahjoob said he was aware of many wealthy Iraqis living in Amman, Damascus and Dubai who were ready to begin investing in SaD. Mahjoob said expatriate Iraqis were especially interested in investment opportunities in the agriculture and transportation sectors. Now that the security situation has improved, the primary obstacle to enhanced investment flows has become onerous bureaucratic procedures, he said. As an example, Mahjoob said his family has been trying to secure the necessary permits to establish an olive processing facility near Bayji, but the extensive bureaucracy has prevented them from securing the necessary ministerial permits. (Note: The Provincial Investment Commission claims to have lined up over \$150 million worth of private-sector investments that are awaiting only allocation of land. The provincial government has been pressing the GoI to devolve authority to the Governor to allocate state-owned land for long-term investment projects - see reftel. End Note.)

COMPLAINT OVER SLOWNESS OF JOINT VENTURE DEALS

14. (C) Mahjoob said he is working with a group of Amman-based Bayji residents ("Al-Hijra Company") to secure a joint venture agreement that will revitalize the Bayji Fertilizer Plant, a state-owned enterprise (SOE) under the Ministry of Industry and Minerals (MIM). Mahjoob said al-Hijra had already secured the necessary financing from al-Warka Bank and tendered a bid with MIM several months ago. Mahjoob said

his "sources" in the ministry told him that a technical committee had already selected al-Hijra as the strongest bid, but he also expressed concerns over "bureaucratic delays." (Note: MIM closed its tender period for Bayji Fertilizer and 35 other state-owned factories on July 31. While MIM has not yet announced awards, ministry interlocutors report they intend to by the end of October. End Note.) Mahjoob stated his business partners may take their money elsewhere if delay continues, and expressed hope that MIM would expedite its awarding of bids.

COMMENT

15. (S) Many SaD residents and PRT contacts view Mahjoob's primary business, fuel transportation from the Bayji oil refinery, as synonymous with corruption and illicit wealth. While a joint venture that successfully brought the Bayji Fertilizer Plant back into production would be a welcome sign of economic progress in SaD, the perception that corrupt or criminal elements are benefiting disproportionately from market reforms could undermine public support in the province for SOE-private sector joint venture agreements. End Comment.
CROCKER